

VILLAGE OF DRY PRONG, LOUISIANA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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September 9, 2014

Independent Auditors' Report

To the Mayor and Board of Aldermen
Village of Dry Prong, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Dry Prong, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana CPAs

Village of Dry Prong
September 9, 2014

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village Dry Prong, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

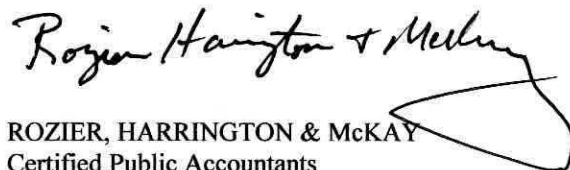
Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Dry Prong's basic financial statements. The Sewer Fund Comparative Financial Statements and the Schedule of Per Diem Paid to Board Members, described as additional information in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARD

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2014 on our consideration of the Village of Dry Prong's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Dry Prong's internal control over financial reporting and compliance.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

VILLAGE OF DRY PRONG

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

This section of Village of Dry Prong's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2014.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Village's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Village's assets (including infrastructure acquired after July 1, 2001) and all of the Village's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants and contributions.
- **Business-Type Activities** – Expenses associated with providing water and sewer services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with water and sewer services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Village's most significant activities and are not intended to provide information for the Village as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Village has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Village's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

VILLAGE OF DRY PRONG

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Village's water and sewer services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A comparative analysis of government-wide data is presented as follows:

Net Position

A condensed version of the government-wide Statement of Net Position is presented as follows:

	June 30, 2014			June 30, 2013
	Govern- mental Activities	Business- Type Activities	Total	
<u>Assets:</u>				
Current and Other Assets	\$ 154,244	\$ 123,233	\$ 277,477	\$ 769,437
Internal Balances	360,325	(360,325)	----	----
Capital Assets	536,696	2,944,010	3,480,706	3,598,735
Total Assets	<u>1,051,265</u>	<u>2,706,918</u>	<u>3,758,183</u>	<u>4,368,172</u>
<u>Liabilities:</u>				
Current and Other Liabilities	39,470	66,736	106,206	656,503
Long-term Liabilities	118,000	106,018	224,018	255,793
Total Liabilities	<u>157,470</u>	<u>172,754</u>	<u>330,224</u>	<u>912,296</u>
<u>Net Position:</u>				
Invested in Capital Assets (Net)	397,696	2,803,079	3,200,775	3,311,681
Restricted	430,032	51,850	481,882	435,774
Unrestricted	66,067	(320,765)	(254,698)	(291,579)
Total Net Position	<u>\$ 893,795</u>	<u>\$ 2,534,164</u>	<u>\$ 3,427,959</u>	<u>\$ 3,455,876</u>

As the presentation appearing above demonstrates, the largest portion of the Village's net position (93.4%) is invested in capital assets. Net Position invested in capital assets consist of land, buildings, and equipment less any debts used to acquire assets that remain outstanding. In addition, net position invested in capital assets also include any infrastructure acquired after July 1, 2001. The Village uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

The remaining net position represent resources that are subject to restrictions that are imposed by agreements with the Village's bondholders, requirements imposed by revenue sources or commitments by the Board of Aldermen.

VILLAGE OF DRY PRONG

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Changes in Net Position

A condensed version of the government-wide Statement of Changes in Net Position is presented as follows:

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013
	Govern- mental Activities	Business- Type Activities	Total	
<u>Revenues:</u>				
Program Revenue:				
Charges for Services	\$ 77,484	\$ 183,068	\$ 260,552	\$ 238,012
Operating Grants and Contributions	----	40,482	40,482	12,560
Capital Grants and Contributions	----	6,362	6,362	1,195,732
General Revenue:				
Property Taxes	12,046	----	12,046	11,213
Franchise Taxes	40,074	----	40,074	14,911
Sales Taxes	45,313	----	45,313	43,612
Occupational Licenses	31,358	----	31,358	33,750
Miscellaneous	9,611	93	9,704	8,234
Total Revenue	<u>215,886</u>	<u>230,005</u>	<u>445,891</u>	<u>1,558,024</u>
<u>Program Expenses:</u>				
General Government	94,543	----	94,543	81,750
Streets	29,313	----	29,313	29,313
Public Safety				
Police Department	34,360	----	34,360	57,889
Fire Department	1,259	----	1,259	1,365
Interest on Long Term Debt	5,680	----	5,680	6,240
Water	----	180,072	180,072	141,727
Sewer	----	128,581	128,581	111,450
Total Expenses	<u>165,155</u>	<u>308,653</u>	<u>473,808</u>	<u>429,734</u>
Change in Net Position	50,731	(78,648)	(27,917)	1,128,290
Net Position Beginning	<u>843,064</u>	<u>2,612,812</u>	<u>3,455,876</u>	<u>2,327,586</u>
Net Position Ending	<u>\$ 893,795</u>	<u>\$ 2,534,164</u>	<u>\$ 3,427,959</u>	<u>\$ 3,455,876</u>

Governmental activities increased the Village's net position by \$50,731. The increase is attributable to careful budgeting and diligent management efforts.

Business-type activities decreased the Village's net position by \$78,648. The decrease is attributable to depreciation on assets that were acquired with grant funds. Changes in net position excluding capital grants, contributions and depreciation for the water and sewer systems are presented as follows:

VILLAGE OF DRY PRONG

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Current Total</u>	<u>Prior Total</u>
Change in Net Position	\$ (11,804)	\$ (66,844)	\$ (78,648)	\$ 1,121,056
Capital Grants and Contributions	(3,659)	(2,703)	(6,362)	(1,195,732)
Depreciation	<u>66,358</u>	<u>63,855</u>	<u>130,213</u>	<u>100,356</u>
Change in Net Position Excluding Capital Grants, Contributions and Depreciation	<u>\$ 50,895</u>	<u>\$ (5,692)</u>	<u>\$ 45,203</u>	<u>\$ 25,680</u>

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

For the year ended June 30, 2014, activity in governmental funds included the general fund, sales tax fund, capital projects, and debt service. The only differences between amounts reported by the governmental funds and governmental activities reported in the government-wide financial statements are attributable to including fixed assets and debt in the government-wide presentation.

Amounts reported for business-type activities in the Village's individual funds are identical to the business-type activities reported in the government-wide presentation.

BUDGET HIGHLIGHTS

The general fund and special revenue fund are the only funds required by law to adopt a budget. Variances between budget and actual amounts were favorable and no amendments to the original budgets were necessary.

CAPITAL ASSET ADMINISTRATION

For the year ended June 30, 2014, significant capital asset activity was limited to completing installation of an emergency power source for the water system, relocating utilities to accommodate highway construction, and the acquisition of a compact excavator for utility maintenance.

DEBT ADMINISTRATION

Activity was limited to making scheduled payments on existing outstanding debt and executing a capital lease to acquire utility equipment.

FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

At the present time, management is not aware of any matters that are expected to have substantial consequences for future operations.

VILLAGE OF DRY PRONG

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 146,964	\$ 48,875	\$ 195,839
Restricted cash and cash equivalents	-	55,025	55,025
Receivables (net)	7,280	19,333	26,613
Internal balances	360,325	(360,325)	-
Land	47,883	41,369	89,252
Depreciable capital assets, net	488,813	2,902,641	3,391,454
Total assets	1,051,265	2,706,918	3,758,183
<u>LIABILITIES</u>			
Accounts payable	18,470	23	18,493
Meter deposits	-	28,625	28,625
Liabilities payable from restricted assets			
Accrued interest payable	-	3,175	3,175
Long-term debt			
Due within one year			
Capital lease obligation	-	5,419	5,419
Revenue bonds	21,000	10,774	31,774
Due in more than one year			
Capital lease obligation	-	18,720	18,720
Revenue bonds	118,000	106,018	224,018
Total liabilities	157,470	172,754	330,224
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	397,696	2,803,079	3,200,775
Restricted for:			
Debt service	31,140	51,850	82,990
Street improvements	38,567	-	38,567
Long term interfund advances	360,325	-	360,325
Unrestricted	66,067	(320,765)	(254,698)
Total net position (deficit)	\$ 893,795	\$ 2,534,164	\$ 3,427,959

The accompanying notes are an integral part of the financial statements.

VILLAGE OF DRY PRONG

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<u>Governmental Activities:</u>							
General Government	\$ 94,543	\$ -	\$ -	\$ -	\$ (94,543)	\$ -	\$ (94,543)
Streets	29,313	-	-	-	(29,313)	-	(29,313)
Public Safety							
Law Enforcement	34,360	77,484	-	-	43,124	-	43,124
Fire Protection	1,259	-	-	-	(1,259)	-	(1,259)
Interest on Long Term Debt	5,680	-	-	-	(5,680)	-	(5,680)
Total Governmental Activities	<u>165,155</u>	<u>77,484</u>	<u>-</u>	<u>-</u>	<u>(87,671)</u>	<u>-</u>	<u>(87,671)</u>
<u>Business-Type Activities:</u>							
Water	180,072	124,087	40,482	3,659	-	(11,844)	(11,844)
Sewer	128,581	58,981	-	2,703	-	(66,897)	(66,897)
Total Business-Type Activities	<u>308,653</u>	<u>183,068</u>	<u>40,482</u>	<u>6,362</u>	<u>-</u>	<u>(78,741)</u>	<u>(78,741)</u>
Total Primary Government	<u>\$ 473,808</u>	<u>\$ 260,552</u>	<u>\$ 40,482</u>	<u>\$ 6,362</u>	<u>(87,671)</u>	<u>(78,741)</u>	<u>(166,412)</u>
<u>General Revenues:</u>							
Taxes:							
Ad Valorem					12,046	-	12,046
Franchise					40,074	-	40,074
Sales					45,313	-	45,313
Occupational Licenses					31,358	-	31,358
Miscellaneous					9,611	93	9,704
Total General Revenues					<u>138,402</u>	<u>93</u>	<u>138,495</u>
Change in Net Position					50,731	(78,648)	(27,917)
Net Position Beginning					843,064	2,612,812	3,455,876
Net Position Ending					<u>\$ 893,795</u>	<u>\$ 2,534,164</u>	<u>\$ 3,427,959</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF DRY PRONG

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	General	Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 84,537	\$ 31,257	\$ 31,140	\$ 30	\$ 146,964
Accounts Receivable	-	7,280	-	-	7,280
Due from other funds	360,325	-	-	9,450	369,775
Total assets	\$ 444,862	\$ 38,537	\$ 31,140	\$ 9,480	\$ 524,019
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 9,020	\$ -	\$ -	\$ 9,450	\$ 18,470
Due to other funds	9,450	-	-	-	9,450
Total liabilities	18,470	-	-	9,450	27,920
Fund Balance					
Nonspendable:					
Long Term Advances to Other Funds	360,325	-	-	-	360,325
Restricted For:					
Street Improvements	-	38,537	-	30	38,567
Debt Service	-	-	31,140	-	31,140
Unassigned	66,067	-	-	-	66,067
Total Fund Balances	426,392	38,537	31,140	30	496,099
Total Liabilities and Fund Balance	\$ 444,862	\$ 38,537	\$ 31,140	\$ 9,480	\$ 524,019

Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Position

Total Fund Balances - Governmental Funds	\$ 496,099
Amounts reported for governmental activities in the statement of net position are different because:	
Long term debt incurred to finance governmental activities does require the use of financial resources; therefore, the debt is excluded from the funds financial statements.	(139,000)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	536,696
Net Position of Governmental Activities	\$ 893,795

The accompanying notes are an integral part of the financial statements.

VILLAGE OF DRY PRONG

Statement of Revenue, Expenditures and Changes in Fund Balance Governmental Funds

Year Ended June 30, 2014

	General	Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Ad valorem	\$ 12,046	\$ -	\$ -	\$ -	\$ 12,046
Franchise	40,074	-	-	-	40,074
Sales tax	-	45,313	-	-	45,313
Occupational licenses	31,358	-	-	-	31,358
Fines and court cost	77,484	-	-	-	77,484
Miscellaneous	9,583	-	28	-	9,611
Total revenues	170,545	45,313	28	-	215,886
Expenditures:					
Current					
General government	88,317	-	-	-	88,317
Public safety - law enforcement	34,360	-	-	-	34,360
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	21,000	-	21,000
Interest	-	-	5,680	-	5,680
Total expenditures	122,677	-	26,680	-	149,357
Excess (deficiency) of revenues over expenditures	47,868	45,313	(26,652)	-	66,529
Other sources (uses)					
Operating transfers in (out)	-	(36,846)	36,846	-	-
Net Change in fund balances	47,868	8,467	10,194	-	66,529
Fund balance - beginning of year	378,524	30,070	20,946	30	429,570
Fund balance - end of year	\$ 426,392	\$ 38,537	\$ 31,140	\$ 30	\$ 496,099

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net change in fund balances of Governmental Funds	\$ 66,529
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report repayment of long term debt as expenditures. In the government wide presentation, these transactions are reported a reduction in debt	21,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital expenditures in the current period.	(36,798)
Change in net position of governmental activities	\$ 50,731

The accompanying notes are an integral part of the financial statements.

VILLAGE OF DRY PRONG

Statement of Net Position

Proprietary Funds

June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and cash equivalents	\$ 48,875	\$ -	\$ 48,875
Receivables (net)	19,333	-	19,333
Other assets	-	-	-
Total current assets	<u>68,208</u>	<u>-</u>	<u>68,208</u>
Restricted Assets:			
Cash and cash equivalents	<u>-</u>	<u>55,025</u>	<u>55,025</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	41,369	41,369
Depreciable capital assets, net	<u>1,720,478</u>	<u>1,182,163</u>	<u>2,902,641</u>
Total noncurrent assets	<u>1,720,478</u>	<u>1,223,532</u>	<u>2,944,010</u>
Total assets	<u>1,788,686</u>	<u>1,278,557</u>	<u>3,067,243</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Payables	23	-	23
Due to other funds	109,902	250,423	360,325
Meter deposits	<u>28,625</u>	<u>-</u>	<u>28,625</u>
Total current liabilities	<u>138,550</u>	<u>250,423</u>	<u>388,973</u>
Liabilities Payable From Restricted Assets:			
Accrued interest payable from restricted assets	-	3,175	3,175
Current portion of long-term debt	5,419	10,774	16,193
Noncurrent Liabilities:			
Capital lease obligation	18,720	-	18,720
Revenue bonds	<u>-</u>	<u>106,018</u>	<u>106,018</u>
Total liabilities	<u>162,689</u>	<u>370,390</u>	<u>533,079</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,696,339	1,106,740	2,821,799
Restricted for debt service	-	51,850	51,850
Unrestricted	<u>(70,342)</u>	<u>(250,423)</u>	<u>(320,765)</u>
Total net position (deficit)	<u>\$ 1,625,997</u>	<u>\$ 908,167</u>	<u>\$ 2,534,164</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF DRY PRONG

Statement of Revenues, Expenses and Changes in Fund Net Position ***Proprietary Funds*** ***Year Ended June 30, 2014***

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
<u>Operating revenues:</u>			
Charges for services	\$ 124,087	\$ -	\$ 124,087
Charges for services pledged as security for revenue bonds	-	58,981	58,981
Total Operating Revenues	<u>124,087</u>	<u>58,981</u>	<u>183,068</u>
<u>Operating expenses:</u>			
Salaries and payroll taxes	35,442	17,109	52,551
Chemicals and supplies	14,208	5,509	19,717
Depreciation	66,358	63,855	130,213
Insurance	3,357	2,249	5,606
Utilities	10,252	14,107	24,359
Legal and professional	6,883	7,362	14,245
Repairs and maintenance	38,944	8,969	47,913
Miscellaneous	4,628	3,068	7,696
Total operating expenses	<u>180,072</u>	<u>122,228</u>	<u>302,300</u>
Operating income (loss)	<u>(55,985)</u>	<u>(63,247)</u>	<u>(119,232)</u>
<u>Non-operating revenues (expenses):</u>			
Grant proceeds	40,482	-	40,482
Interest income	40	53	93
Interest expense	-	(6,353)	(6,353)
Total Non-operating	<u>40,522</u>	<u>(6,300)</u>	<u>34,222</u>
Income (loss) before capital contributions and transfers	<u>(15,463)</u>	<u>(69,547)</u>	<u>(85,010)</u>
Capital Contributions	<u>3,659</u>	<u>2,703</u>	<u>6,362</u>
Change in net position	<u>(11,804)</u>	<u>(66,844)</u>	<u>(78,648)</u>
Total net position - beginning	<u>1,637,801</u>	<u>975,011</u>	<u>2,612,812</u>
Total net position - ending	<u>\$ 1,625,997</u>	<u>\$ 908,167</u>	<u>\$ 2,534,164</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF DRY PRONG

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
<u>Cash flow from operating activities:</u>			
Cash received from customers	\$ 109,748	\$ 58,981	\$ 168,729
Cash payments to suppliers of goods and services	(78,249)	(41,264)	(119,513)
Cash payments to employees for services	(35,442)	(17,109)	(52,551)
Net cash provided (used) by operating activities	(3,943)	608	(3,335)
<u>Cash flows from non-capital financing activities:</u>			
Increase (Decrease) cash advances due to other funds	8,045	17,678	25,723
Grant Proceeds	40,482	-	40,482
Net cash provided (used) by non-capital financing activities	48,527	17,678	66,205
<u>Cash flows from capital and related financing activities:</u>			
Capital Grants	184,769	383,597	568,366
Payments for acquisition of capital assets	(203,272)	(383,597)	(586,869)
Principle paid on revenue bonds	-	(10,262)	(10,262)
Interest paid on debt instruments	-	(6,353)	(6,353)
Net cash provided (used) by capital and related financing activities	(18,503)	(16,615)	(35,118)
<u>Cash flows from investing activities:</u>			
Interest and other income	40	53	93
Net cash provided (used) by investing activities	40	53	93
Net increase (decrease) in cash	26,121	1,724	27,845
Beginning cash balance	22,754	53,301	76,055
Ending cash balance	48,875	55,025	103,900
Restricted cash and cash equivalents	-	55,025	55,025
Cash and cash equivalents	\$ 48,875	\$ -	\$ 48,875
<u>Reconciliation of operating income (loss) to net cash</u>			
Operating income (loss)	\$ (55,985)	\$ (63,247)	\$ (119,232)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	66,358	63,855	130,213
(Increase) decrease in accounts receivable	548	-	548
(Decrease) increase in accounts payable	23	-	23
(Decrease) increase in meter deposits	(14,887)	-	(14,887)
Net cash provided (used) by operating activities	\$ (3,943)	\$ 608	\$ (3,335)

Supplemental disclosures of cash flow information:

For the year ended June 30, 2014, there were no operating, financing, or investing activities that did not result in cash receipts or payments.

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Dry Prong (the Village) was incorporated under the provisions of the Lawrason Act. The Village is governed by a Mayor and a Board of Alderman consisting of three (3) members. Services provided by the Village include police and fire protection, and street maintenance. The Village also operates a water distribution system and a sewer system.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Village is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Village), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards established criteria for determining which component units should be considered part of the Village of Dry Prong for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. Criteria to be considered in determining financial accountability include:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Village to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Village.
2. Organizations for which the Village does not appoint a voting majority but are fiscally dependent on the Village.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon application of these criteria, there were no potential component units and all of the Village's activities were included in the primary government reporting entity.

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Village's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Village as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Village's major funds are described as follows:

- Governmental Funds – The Village's active major governmental funds include the general fund, sales tax fund and the debt service fund. The general fund is the primary operating fund and is used to account for all governmental activities except those required to be reported in another fund. The sales tax fund is a special revenue fund used to account for sales tax revenue designated for street improvements within the Village. The debt service fund is used accumulate resources for the repayment of sales tax revenue bonds issued to finance street construction.
- Proprietary Funds – Are used to account for business type activities. The operations of the Village's Water System and Sewer System each utilize separate proprietary

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

funds. Revenue earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of account and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as expenditures. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as other financing sources and repayment of long-term debt is reported as an expenditure of funds.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from franchise taxes, fines and court cost is not recognized until it is collected.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements, tax propositions, and bond covenants.

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Budget Practices

The Mayor prepares annual budgets for the Village's general fund and special revenue fund. These budgets are submitted to the Board of Aldermen and the approved budgets are adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund and special revenue fund budgets present revenue and expenditures on a basis which is consistent with generally accepted accounting principles. The Village's remaining funds are not required to adopt budgets.

Capital Assets

Capital assets are carried at historical cost or estimated historical cost including interest incurred during construction. Prior to July 1, 1989, there were few records supporting the cost; therefore, costs related to the Village's utility system were estimated based on information furnished by the Village's consulting engineers. Cost of buildings and equipment acquired prior to July 1, 1989 were estimated based on replacement cost.

Infrastructure capital assets consisting of streets, bridges, sidewalks and drainage systems acquired before July 1, 2001 are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

Deferred Revenue:

Amounts collected from grant programs are reported as deferred revenue until the Village has complied with the terms and conditions of the grant program. The amount reported as deferred revenue represents the unexpended portion of grant receipts that are required to be used for specific purposes.

Internal Balances:

All funds paid to vendors are typically disbursed from the General Fund. Amounts paid by the General Fund on behalf of other funds and any reimbursements received by the General Fund are reported as internal receivables and payables. In the government-wide Statement of Net Position internal balances are eliminated except for the presentation of net residual amounts due between governmental and business-type activities.

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Fund Balance Classification:

Approval of the majority of the Board of Aldermen is required to approve the commitment of fund balances. In situations where it is permissible to spend restricted or committed resources, the Village typically depletes the available restricted or committed resources before consuming unrestricted resources.

Statement of Cash Flows:

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks and certificates of deposit.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash balances at June 30, 2014 are presented as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash and Cash Equivalents	\$ 195,839	\$ 229,044
Restricted Cash and Cash Equivalents	55,025	55,025
Total	<u>\$ 250,864</u>	<u>\$ 284,069</u>

Cash deposited in banks is stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2014, the Village has \$250,864 in deposits (\$284,069 collected bank balance). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$136,751 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized, State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, are summarized as follows:

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

	Governmental Activities	Business- Type	Total
Sales Tax	\$ 7,280	\$ ----	\$ 7,280
Utility Accounts	----	19,333	19,333
Total	\$ 7,280	\$ 19,333	\$ 26,613

NOTE 4 - LONG-TERM DEBT

Long term debt consists of revenue bonds and capital lease obligations. Details related to each component of long term debt are presented as follows:

Revenue Bonds

Revenue bonds by fund type are presented as follows:

	Governmental Activities	Business- Type	Total
Bonds payable, June 30, 2013	\$ 160,000	\$ 127,054	\$ 287,054
New issues	----	----	----
Retirements	(21,000)	(10,262)	(31,262)
Bonds payable, June 30, 2014	139,000	116,792	255,792
Due within one year	21,000	10,774	31,774
Due in more than one year	\$ 118,000	\$ 106,018	\$ 224,018

Components of the Village's long-term debt are described as follows:

\$280,200 Sewer Revenue Bond issue dated November 1, 1982, due in annual installments of \$16,614 including interest at 5%, with the final installment due November 1, 2022	\$ 116,792
\$194,000 Sales Tax Bonds, Series 2011 issue dated July 21, 2011, due in annual installments ranging from \$14,000 to \$25,000 plus interest at 4%, with the final installment due March 1, 2020.....	139,000
Total	\$ 255,792

A schedule of maturities of long-term debt follows for the years ended June 30:

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Year Ended June 30 th	Governmental Activities		Business-Type	
	Principal	Interest	Principal	Interest
2015	\$ 21,000	\$ 5,080	\$ 10,774	\$ 5,840
2016	22,000	4,480	11,313	5,301
2017	23,000	3,840	11,879	4,735
2018	24,000	2,920	12,473	4,141
2019	24,000	1,960	13,096	3,518
2020 – 2022	25,000	1,000	57,257	7,187
Total	\$ 139,000	\$ 19,280	\$ 116,792	\$ 30,722

Interest incurred in connection with sewer revenue bonds totaled \$6,353 and the entire balance has been presented as a direct expense of the Villages sewer system.

Capital Lease Obligations

The Village has acquired equipment needed for operations by executing a capital leases. The original balance of \$24,139 is payable in 59 monthly installments of \$447 beginning July 2014 with the final installment due March, 2019. Interest is determined based on an annual rate of 3.75%. Future minimum lease payments associated with the lease obligations described above are presented as follow:

<u>Year Ended June 30th</u>	<u>Business-Type Activities</u>
2015	\$ 6,217
2016	5,359
2017	5,359
2018	5,359
2019	4,019
Total Minimum Lease Payments	26,313
Amounts Representing Interest	2,174
Present Value of Future Minimum Lease Payments	24,139
Current Portion of Future Minimum Lease Payments	5,419
Long Term Portion of Future Minimum Lease Payments	\$ 18,720

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 5 – TAXES:

Ad Valorem Taxes

The Village bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Grant Parish. For the year ended June 30, 2014, the Village levied 6.77 mills for general corporate purposes.

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed.

Sales and Use Taxes

On November 14, 2009, voters of the Village approved a one percent sales and use tax effective January 1, 2010 and expiring in ten years. The sales and use tax is dedicated for resurfacing all streets within the Village jurisdiction. In addition, proceeds from the sales and use tax can be used to fund bonds to pay the cost of resurfacing all streets within the Village jurisdiction. Sales and use taxes are collected on behalf of the Village by the Grant Parish Sheriff's Office. Revenues from sales taxes are reported on the accrual basis.

NOTE 6 – CAPITAL ASSETS

A summary of the property and equipment reported by the Village at June 30, 2014 consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Land	\$ 47,883	\$ ----	\$ ----	\$ 47,883
<u>Capital Assets Being Depreciated:</u>				
Street Improvements	508,784	----	----	508,784
Buildings and Improvements	218,602	----	----	218,602
Machinery and Equipment	146,588	----	18,363	128,225
Total	873,974	----	18,363	855,611
Less Accumulated Depreciation	348,363	36,798	18,363	366,798
Total Net of Depreciation	\$ 525,611	\$ (36,798)	----	\$ 488,813

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Business-Type Activities</u>				
Land	\$ 41,369	\$ ----	\$ ----	\$ 41,369
<u>Capital Assets Being Depreciated:</u>				
Water Distribution System	\$ 1,896,093	\$ 320,203	\$ ----	\$ 2,216,296
Wastewater System	1,773,697	737,270	----	2,510,967
Equipment	106,534	201,656	17,208	290,982
Construction in Progress	1,210,146	6,362	1,216,508	----
Total	4,986,470	1,265,491	1,233,716	5,018,245
Less Accumulated Depreciation	2,002,598	130,214	17,208	2,115,604
Total Net of Depreciation	\$ 2,983,872	\$ 1,135,277	\$ 1,216,508	\$ 2,902,641

Depreciation expense reported by various functions is presented as follows:

Governmental Activities:

General Government	\$ 6,226
Streets	29,313
Fire Protection	1,259
Total Depreciation – Governmental Activities	\$ 36,798

Business-Type Activities:

Water	\$ 66,358
Sewer	63,856
Total Depreciation – Business-Type Activities	\$ 130,214

NOTE 7- RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village insures against these risks by participating in a public entity risk pool that operates as a common insurance program and by purchasing commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8 – RESTRICTIONS AND COMMITMENTS

Details regarding limitations imposed on the use of various resources are summarized as follows:

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Long Term Advances

A portion of the General Funds assets have been advanced to the utility funds and repayment is not anticipated in the near future. Since these resources are not available to finance current expenditures, a portion of the general fund balance is reported as non-spendable.

Street Improvements

The Village's voters approved a one per cent sales tax for a period of ten years beginning January 1, 2010. Proceeds from the sales tax may be used only for completing street improvements. Accordingly, sales taxes are reported in a special revenue fund in order to comply with restrictions imposed by the voters and the sales tax fund balance is reported as restricted for street improvements.

Debt Service

Bond covenants require the Village to establish bank accounts which serve as debt service reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants.

NOTE 9 – INTERFUND BALANCES

Interfund receivables and payables are described as follows:

	Governmental Activities Receivables (Payables)	Business-Type Activities Receivables (Payables)
As discussed in Note 1, interfund balances arise when the general fund disburses funds on behalf of the water and sewer funds. Reimbursements are submitted periodically but no significant reimbursements are expected within the next year.		
General Fund	\$ 360,325	\$ ----
Water Fund	----	109,902
Sewer Fund	----	250,423
The general fund has agreed to furnish administrative cost associated with street construction funded by a Louisiana Community Development Block Grant. Administrative cost owed to the capital project funds are as follows:		
Capital Project (LCDBG)	9,450	----
General Fund	(9,450)	----
Government-Wide Totals	\$ 360,325	\$ 360,325

VILLAGE OF DRY PRONG

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Interfund transfers have been completed to provide resources to the capital project fund for street construction and to the debt service fund established to repay debt issued to finance street improvements.

NOTE 10 - URAF CONTINGENCY

In order to accommodate highway improvements, the Village has been required to relocate underground utility infrastructure that was located in the State's highway right of way. Funding for the relocation was provided by the State's Utility Relocation Assistance Fund (URAF). Under the terms of the URAF arrangement, the Village is not obligated to repay the URAF funds but if voluntary payments are not made, the Village may be denied access to the State's right of way when conducting future construction projects.

VILLAGE OF DRY PRONG

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<u>Revenues:</u>				
Taxes:				
Ad valorem	\$ 11,000	\$ 11,000	\$ 12,046	\$ 1,046
Franchise	20,000	20,000	40,074	20,074
Occupational licenses	25,000	25,000	31,358	6,358
Fines and Court Cost	75,000	75,000	77,484	2,484
Miscellaneous	7,000	7,000	9,583	2,583
Total revenues	138,000	138,000	170,545	32,545
<u>General Government:</u>				
Salary - mayor and aldermen	6,000	6,000	6,000	-
Salaries - other	19,036	19,036	15,062	3,974
Dues and publications	1,000	1,000	1,059	(59)
Insurance	15,797	15,797	10,717	5,080
Legal and professional	9,000	9,000	5,692	3,308
Library	3,000	3,000	4,949	(1,949)
Office supplies	3,000	3,000	2,636	364
Payroll taxes and benefits	13,225	13,225	11,037	2,188
Printing and advertising	1,250	1,250	1,715	(465)
Repairs and maintenance	3,000	3,000	737	2,263
Streets and parks	8,000	8,000	9,605	(1,605)
Traffic ticket assessments	2,700	2,700	7,541	(4,841)
Contract Labor	292	292	130	162
Utilities and telephone	6,000	6,000	7,480	(1,480)
Miscellaneous	5,000	5,000	3,957	1,043
Total general government	96,300	96,300	88,317	7,983

Continued...

VILLAGE OF DRY PRONG

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<u>Public Safety:</u>				
Police department				
Salaries and payroll taxes	25,700	25,700	25,683	17
Fuel	7,000	7,000	3,836	3,164
Parts and supplies	4,000	4,000	3,805	195
Miscellaneous	5,000	5,000	1,036	3,964
Total police department	41,700	41,700	34,360	7,340
Capital Outlay	-	-	-	-
Total expenditures	138,000	138,000	122,677	15,323
Excess (deficiency) of revenues over expenditures	-	-	47,868	47,868
Other sources (uses)				
Operating transfers in (out)	-	-	-	-
Net Change in Fund Balances	-	-	47,868	47,868
Fund balance - beginning of year	370,487	370,487	370,487	-
Fund balance - end of year	\$ 370,487	\$ 370,487	\$ 418,355	\$ 47,868

VILLAGE OF DRY PRONG

Sales Tax Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues:</u>				
Sales tax	\$ 35,000	\$ 35,000	\$ 45,313	\$ 10,313
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>45,313</u>	<u>10,313</u>
<u>Expenditures:</u>				
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Excess (deficiency) of revenues over expenditures	5,000	5,000	45,313	40,313
Other sources (uses)				
Operating transfers in (out)	<u>(34,000)</u>	<u>(34,000)</u>	<u>(36,846)</u>	<u>(2,846)</u>
Net Change in fund balances	(29,000)	(29,000)	8,467	37,467
Fund balance - beginning of year	<u>30,070</u>	<u>30,070</u>	<u>30,070</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,070</u>	<u>\$ 1,070</u>	<u>\$ 38,537</u>	<u>\$ 37,467</u>

VILLAGE OF DRY PRONG
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the year ended June 30, 2014

John Landry, Mayor	\$ 2,400
Della Barbee, Alderman	1,200
Shane Davis, Alderman	1,200
Sandra Garlington, Alderman	<u>1,200</u>
Total	<u>\$ 6,000</u>

ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

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M. DALE HARRINGTON, CPA
RETIRED - 2005

September 9, 2014

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Board of Aldermen
Village of Dry Prong, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Dry Prong, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village of Dry Prong's basic financial statements, and have issued our report thereon dated September 9, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Village of Dry Prong's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Dry Prong's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Dry Prong's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Village of Dry Prong's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

VILLAGE OF DRY PRONG

SCHEDULE OF FINDINGS AND QUESTIONED COST For the Year Ended June 30, 2014

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditors' Report on the financial statements of the Village of Dry Prong as of June 30, 2014 and for the year then ended expressed an unqualified opinion.
- The audit did not disclose any audit findings which are required to be reported as reportable conditions or material weaknesses.
- The results of the audit disclosed no instances of noncompliance that are considered to be material to the financial statements of the Village of Dry Prong.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- None.

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- None.

VILLAGE OF DRY PRONG

MANAGEMENT'S CORRECTIVE ACTION PLAN **For the Year Ended June 30, 2014**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
No findings were reported in the schedule of findings and questioned costs.	Response – N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No findings were reported in the schedule of findings and questioned costs.	Response – N/A
SECTION III MANAGEMENT LETTER	
No management letter was issued.	Response – N/A

VILLAGE OF DRY PRONG

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COST For the Year Ended June 30, 2014

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>2013 – 1: BOND COVENANT VIOLATION:</u> Commitments made to the holders of sewer revenue bonds require the Village to charge sufficient sewer rates to recover operating expenses, service debts and provide reserves. However, operating losses reported by the Sewer System indicate that the current rate structure is inadequate to fulfill covenants to bond holders.	<u>2013 – 1: RESOLVED</u> The covenants are no longer applicable because, management has made arrangements to fully repay sewer revenue bonds. Arrangements made include budgeting sufficient funds to complete the repayment. The bondholders acknowledged the repayment on August 4, 2014.
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No findings of this nature were reported as a result of the previous audit.	Response – N/A
SECTION III MANAGEMENT LETTER	
No management letter was issued.	Response – N/A